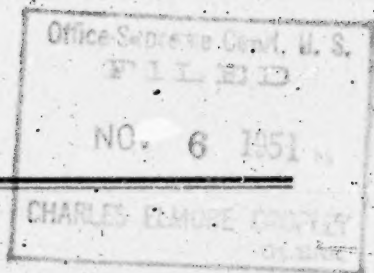


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**SUPREME COURT, U. S.**



IN THE  
**Supreme Court of the United States**

**OCTOBER TERM, 1951**

**NO. 180**

**KEROTEST MANUFACTURING COMPANY,**  
**Petitioner,**

**v.**

**C-O-TWO FIRE EQUIPMENT COMPANY, Respondent.**

**On Writ of Certiorari to the United States Court of  
Appeals for the Third Circuit.**

**BRIEF FOR THE PETITIONER.**

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**BRIEF FOR THE PETITIONER.**

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**OPINIONS BELOW.**

The order, findings of fact and conclusions of law of the District Court filed April 21, 1950 (R. 17) are reported in 85 USPQ 185. No opinion was filed.

The opinion of the Court of Appeals filed June 16, 1950 (R. 36) is reported in 182 F. 2d 773.

The opinion of the District Court filed August 18, 1950 (R. 25) is reported in 92 F. Supp. 943. The corresponding order (R. 35), findings of fact and conclusions of law (R. 32) on the full record are unreported.

The vacated opinion of the Court of Appeals filed February 19, 1951 (R. 39) is reported in 88 USPQ 335.

The majority and dissenting opinions of the Court of Appeals on rehearing filed May 24, 1951 (R. 55) are reported in 189 F. 2d 31.\*

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### **JURISDICTION.**

The judgment of the Court of Appeals was entered May 24, 1951 (R. 65). The petition was filed July 9, 1951, and was granted October 8, 1951. This Court has jurisdiction by virtue of 28 U.S.C. §§ 1254 and 2101.

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### **STATUTES AND RULE INVOLVED.**

The Declaratory Judgment Act (62 Stat. 964, amended 63 Stat. 105, 28 U.S.C. §§ 2201-2202) and Rule 57, Rules of Civil Procedure, are reprinted in full in the appendix hereto (p. 30). 62 Stat. 937, 28 U.S.C. § 1404(a), not discussed in the opinions below but referred to herein, is also reprinted in the appendix (p. 32).

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### **STATEMENT.**

#### **SUMMARY OF CASE**

*Parties:* Petitioner, a manufacturer of valves, is incorporated in Pennsylvania and has its offices at Pittsburgh, Pennsylvania (R. 4). Respondent, the owner of the two patents in suit, is incorporated in Delaware and has offices at Newark, New Jersey (R. 4).

*Action:* This is a civil action in the District Court in Delaware wherein petitioner seeks (1) a declaratory judgment that two patents of respondent are invalid

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\* In 189 F. 2d, p. 32, col. 2, line 16, and R. 56, line 21, "Kerotest" should read "C-O-Two". In R. 59, line 14, "C-O-Two" should read "Kerotest".



and have not been infringed by petitioner, and (2) an injunction enjoining respondent from intimidating petitioner's customers either by charges of patent infringement or by infringement suits (R. 6).

*Certiorari:* The writ of certiorari is on a judgment (R. 65) of the Court of Appeals for the Third Circuit entered May 24, 1951 (Maris and Kalodner, JJ., dissenting), which reverses the District Court in Delaware and directs the District Court (1) to enter an order staying this action until ten days after the final determination of an infringement action in Chicago, wherein respondent made petitioner a party after petitioner filed its declaratory action, and (2) to dissolve its order enjoining respondent from prosecuting the Chicago action against petitioner (R. 35).

#### NARRATIVE STATEMENT

*Respondent's initial charge of patent infringement by petitioner; petitioner's denial of validity and infringement and challenge to respondent to sue petitioner directly; and respondent's subsequent customer suits:* The two patents in suit were originally issued to respondent on August 19, 1947 and November 23, 1948 (R. 4). Respondent charged petitioner with infringement of these patents and petitioner denied both validity and infringement of the patents and challenged respondent to bring suit in order to decide both issues (R. 4). Instead of meeting this challenge directly, respondent first reissued one of the patents and then brought an infringement action on the patents in question against one of petitioner's customers in Detroit (R. 4). On January 17, 1950, a consent decree was entered terminating the Detroit action, and on the same day respondent filed another infringement action on these patents

against another of petitioner's customers, in Chicago (R. 4, 5, 9, 10).

*Petitioner's declaratory action against respondent:* Petitioner filed the action at bar against respondent on March 9, 1950, setting forth the foregoing facts and seeking a declaratory judgment that respondent's two patents are invalid and not infringed by petitioner (R. 1, 3). At that time petitioner was not a party to the Chicago action, which was then set for trial although the customer-defendant had filed no answer (R. 4, 8, 9, 18). Petitioner's action was brought in Delaware, where respondent is incorporated (R. 4). The Delaware District Court is also relatively convenient to respondent's offices at Newark, New Jersey (R. 4; Newark is about seven times further from Chicago than it is from Wilmington).

*Respondent's subsequent (1) amendment of its Chicago action to include petitioner, and (2) motion for stay of petitioner's action:* On March 22, 1950, less than two weeks after the filing of petitioner's action, and solely because of it (R. 9), respondent filed an "Amendment of Complaint" in the Chicago action adding petitioner as a party-defendant (R. 12, 13). The amendment alleged no joint act of infringement by petitioner and its customer but merely alleged: that petitioner had made and sold the accused devices to the Chicago customer; that petitioner had agreed to hold the customer harmless; that petitioner was infringing respondent's patents; and that respondent had given petitioner notice of the alleged infringement (R. 13). Petitioner, although a Pennsylvania corporation, having its offices at Pittsburgh, Pennsylvania (R. 4), is registered to do

business in Illinois and was there served with the "Amendment of Complaint". Respondent then quickly filed a motion in the Delaware District Court for a stay of petitioner's action (R. 7).

*Petitioner's initial cross-motion for preliminary injunction:* Petitioner opposed respondent's motion for a stay of the Delaware action, filed a supplemental complaint asking for preliminary and permanent injunctions against further prosecution by respondent of the Chicago action "either as against [petitioner] alone, or generally, as this Court may deem just and proper" (R. 14, 15), and moved for such a preliminary injunction (R. 15).

The District Court of Delaware entered an order dated April 28, 1950 granting respondent's motion for a stay and denying petitioner's motion for an injunction, for a 90-day period\* (R. 17-19).

*First appeal:* Petitioner appealed, and on June 16, 1950 the Court of Appeals (per Maris, Kalodner and Hastie, JJ.) affirmed, with an opinion noting that the 90-day period was about to expire and that at the end of that period petitioner could renew its motion without prejudice (R. 36). The opinion cited three earlier decisions of the Court of Appeals\*\* and admonished the District Court to apply the principles of these decisions in the event of renewal of petitioner's motion.

*Renewed cross-motions:* Petitioner renewed its motion for a preliminary injunction, but only as to pros-

\* At that time a motion for a stay by the customer was pending in the Chicago court, and also a motion by petitioner to vacate service on petitioner in the Chicago action. Both motions were later denied (R. 23).

\*\* Discussed *infra*, pp. 21, 22, 24, 25.

ecution by respondent of its action in Chicago against petitioner alone (R. 20). The District Court granted the injunction on September 5, 1950, and, applying the three decisions which had been specified in the Court of Appeals' opinion, held that as between petitioner and respondent the Delaware action was the first filed, that the controversy between petitioner and respondent could not be better settled or the relief sought by them more expeditiously and effectively afforded in the Chicago action than in the Delaware action, and that there were no special circumstances taking the case out of the general rule that the first-filed action should proceed (Opinion, R. 25; Findings of Fact and Conclusions of Law, R. 32; and Order, R. 35). Respondent's renewed motion for a stay of the Delaware proceedings was denied (R. 35).

*Second appeal:* Respondent appealed. On February 19, 1951 the Court of Appeals (per Biggs, Ch. J., and Goodrich and Kalodner, JJ.) reversed the lower court (Judgment, R. 43; Opinion, R. 39).

Petitioner asked for a rehearing (R. 46), which was granted (R. 54). The case was reheard by the Court *en banc*, and on May 24, 1951 the Court vacated its opinion of February 19, 1951 (R. 54) but entered judgment reversing the lower court, directing that the action be stayed until ten days after determination of the Chicago action, and adding "If, however, the prosecution of the Chicago suit be unreasonably delayed, this court will entertain an application for a modification of the order" (Judgment, R. 65; Majority Opinion, R. 55). That judgment is now before this Court on writ of certiorari.

Circuit Judges Maris and Kalodner dissented. Judge Maris filed a dissenting opinion (R. 61) noting



that the majority decision had created a conflict with decisions of other circuits (R. 62, 63).

*Certiorari*: Petitioner filed its petition for writ of certiorari on July 9, 1951, and the petition was granted October 8, 1951 (R. 73).

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**SPECIFICATION OF ERRORS.**

The Court of Appeals erred:

(a) In holding that respondent, who had deliberately omitted making petitioner a party to successive infringement actions brought against petitioner's customers, may nevertheless thereafter avoid a subsequent declaratory action brought by petitioner in the Circuit where petitioner and respondent are both incorporated and have their offices, by the stratagem of adding petitioner as a party to a pending customer action after, and only after, the declaratory action had begun;

(b) In holding that the District Court, vested with and retaining jurisdiction of petitioner's declaratory action against respondent, which could be tried completely and expeditiously without the presence of any additional party, should require petitioner to litigate the controversy in another Circuit in an action subsequently commenced by respondent against petitioner, merely because such course would permit respondent simultaneously to litigate a controversy between respondent and a third party, which presents some of the same questions but could be tried completely and expeditiously without the presence of petitioner;

(c) In retaining jurisdiction of petitioner's declaratory action not for the purpose of advancing it to

judgment and giving petitioner the relief prayed for, but merely as a club over respondent to compel it to proceed to judgment with an action which it subsequently instituted against petitioner;

(d) In holding that respondent's suit should proceed and petitioner's suit should be stayed because respondent's suit involved more parties than petitioner's suit, notwithstanding the independence of the controversies between the original parties to the respective suits; and

(e) In holding in effect that the District Court abused its discretion in granting petitioner's motion for a preliminary injunction and denying respondent's motion for a stay.

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### **SUMMARY OF ARGUMENT.**

While it is undenied that petitioner's declaratory action against respondent relates to an actual justiciable controversy between petitioner and respondent and is the first-filed action on this controversy between these parties, the judgment of the Court of Appeals nevertheless requires petitioner to litigate its controversy with respondent in an action brought by respondent in another district, contrary to (a) the intent of the Declaratory Judgment Act, (b) the express provision of Rule 57 of the Rules of Civil Procedure that the existence of another adequate remedy does not preclude a *judgment* in a declaratory action, (c) the well-recognized rule that the first-filed action between the parties should proceed, and (d) judicial precedents in analogous cases.

The judgment has the general effect of transferring the litigation between petitioner and respondent to

another district, and is explained in the majority opinion below largely in terms of supposed convenience. This amounts to a holding that the Delaware District Court where petitioner brought its declaratory action is *forum non conveniens*, notwithstanding the absence of the necessary strong balance of considerations in favor of a transfer under this doctrine, the failure of respondent to invoke the transfer provisions of 28 U.S.C. § 1404(a) which now embody the doctrine of *forum non conveniens*, and the discretionary conclusion of the District Court that the balance of convenience in the light of all the circumstances does not justify compelling petitioner to litigate its controversy with respondent in another *forum*. There is no showing of abuse of discretion by the District Court in its conclusion as to balance of convenience. Moreover, the Court of Appeals is not justified in effecting indirectly what amounts to a transfer on the basis of convenience when the circumstances do not justify a transfer under the controlling statute, and the controlling statute is not even invoked.

The decision of the Court of Appeals looks only to the immediate advantages of sweeping all of the parties to patent litigation into one court and overlooks the more important ultimate effect in the present situation of aiding patentees who choose to burden the courts and indirectly harass manufacturers of allegedly infringing articles by bringing multiple customer suits instead of proceeding in the first instance against the manufacturers who are the source of the alleged infringement. The judgment permits such a patentee to eat his cake, in the sense of bringing successive customer suits without making the manufacturer a party, and to have it too, in the sense of amending the manufacturer into a pend-

ing customer suit after, and only after, the manufacturer institutes a direct declaratory action against the patentee where the patentee fears to litigate his patents. If this judgment stands the abuse of unnecessary customer suits will go unchecked and undesirable multiple litigation will be encouraged.

---

## ARGUMENT.

### I.

Respondent, by bringing successive suits against petitioner's customers while avoiding the direct litigation against petitioner which petitioner had invited when respondent charged petitioner with infringement, has unnecessarily and oppressively multiplied litigation, and should not be permitted to block petitioner's independent declaratory action against respondent by the stratagem of adding petitioner as a party to a pending customer suit and then complaining of "duplicate litigation".

When petitioner denied validity and infringement of respondent's patents in suit, respondent obviously could have brought an immediate infringement suit against petitioner. It chose not to do so. Instead, it brought successive infringement suits against two of petitioner's customers, and avoided a contest with petitioner. Under these circumstances petitioner was entitled to bring its independent declaratory action against respondent, and both the public interest and the balance of equities between the parties are opposed to respondent's subsequent maneuver of amending petitioner into the pending customer action in Chicago for the purpose of blocking petitioner's independent action.



A patentee who is confident of the validity of his patent and of the soundness of his charges of infringement does not shrink from a prompt infringement action against the manufacturer of articles deemed to infringe, since if the patentee wins the suit he is entitled to collect damages and, more important, to suppress the infringing articles at the source. On the other hand, if the patentee loses the suit the judgment protects the manufacturer and enables the manufacturer to restrain the patentee, if need be, from suing the manufacturer's customers; *Kessler v. Eldred*, 206 U.S. 285. Either way, the single action against the manufacturer, without any suit by the patentee against individual customers for their acts of using the accused articles, disposes of the whole problem for all practical purposes, even though use by each customer gives rise, as a matter of law, to a cause of action for infringement separate and distinct from the cause of action against the manufacturer for his acts of making and selling; *Birdsell v. Shaliol*, 112 U.S. 485.

The interest of the general public is best served when a patentee brings a direct suit against the manufacturer of articles alleged to infringe the patent, rather than against the manufacturer's customers, because:

- (1) The public interest in a fair and full test of the patent on the issues of validity and infringement is best protected by the manufacturer, who has the most at stake on these issues;

- (2) A suit between a patentee and manufacturer gives each a full opportunity to settle the controversy at the source, with the greatest economy of time and expense; and

(3). The customers of the manufacturer are spared litigation in which they ordinarily have only a minor interest.

A patentee with a weak case, on the other hand, is likely to adopt the circuitous strategy of avoiding a direct test with the manufacturer of the accused device and engaging upon a campaign of multiple suits against customers, in spite of the necessarily greater expenditure of time and money, and the multiple judicial load. The record shows that this was precisely the strategy of respondent until petitioner brought its declaratory action.\*

Advantages, tactical and substantive, that owners of weak patents stand to gain by avoiding manufacturer suits and pressing customer suits are as follows:

(a) A patentee can bring one customer suit after another, without fear of an adverse decision in one necessarily barring another, *Triplett v. Lowell*, 297 U.S. 638, 645, whereas a decision adverse to the patentee in a suit including a manufacturer furnishes a basis for restraining further interference by the patentee with the manufacturer's customers; *Kessler v. Eldred*, 206 U.S. 285.

(b) Customer suits give the patentee a wider choice of venue than that appropriate for infringement or declaratory judgment actions directly be-

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\* Respondent could as readily have joined petitioner as a defendant when it originally commenced the Chicago customer action as it did after the filing of the case at bar by petitioner, since petitioner has been registered to do business in Illinois and has had an office in Chicago since about 1940 (R. 17).

tween the patentee and the manufacturer, and this enables the patentee to sue where he thinks a weak patent is most likely to be sustained, instead of in a circuit suspected to have higher standards of patentability.

(c) The notoriety of one or more pending customer suits is even more likely to frighten customers away from the manufacturer than a suit directly against the manufacturer.

(d) Customers ordinarily have less interest than the manufacturer in the issues of validity and infringement, and consequently are less difficult antagonists than the manufacturer.

(e) Customers are more likely to take a consent decree (as in the case of the Detroit customer in the present case; R. 10). A series of consent decrees not only binds the consenting customers but also serves to bolster up the patentee's case when he finally goes to trial.\*

Respondent undertakes to explain its bringing two customer suits without making petitioner a party on the ground that respondent's business is competitive with the business of the customers rather than with the business of petitioner (respondent's brief in opposition to petition for writ of certiorari, p. 2). The implication is that respondent was thinking only about the customers when it brought the customer suits, but this was evidently not the case because it had previously charged petitioner with infringement and obviously knew that

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\* See, e.g., *Sanson Hosiery Mills v. Glen Raven Knitting Mills*, 95 F. Supp. 134, 136, 137 (Dist. Ct., M.D., N.C., 1950), aff'd 189 F.2d 845 (C.A. 4, 1951).

petitioner was a manufacturer of the allegedly infringing valves. Moreover, it is irrelevant how the various parties compete. The claims of the patents in suit all relate to certain valve assemblies, which petitioner is expressly charged with "making" (R. 4, 13). Since petitioner makes the valves in suit in its declaratory action it is a "manufacturer" and its vendees are "customers" for the purpose of this action. It seems strange for respondent to insist that petitioner's customers are "manufacturers" for purposes of litigation to enforce the patents in suit, and to assert that respondent sued them for infringement because their products competed with respondent's products, considering that the products of petitioner's customers are complete fire extinguishers *which are per se outside of the claimed patent monopoly.*

Respondent has also made much of a desire to avoid "duplicate litigation" (respondent's brief in opposition to petition for writ of certiorari, pp. 3, 5, 6, 8-10) and the consequent "unnecessary and expensive burden on [respondent]" (R. 8). Such a contention is hardly consistent with respondent's actions in bringing successive customer suits, and is well answered in the language of the court in *Western Electric Co., Inc. v. Hammond*, 135 F. 2d 283, 288 (C.A. 1, 1943):

"\* \* \* so far as this situation presents a hardship to the patentee in defending the declaratory judgment suit, it is a hardship of his own making, for the patentee might have sued the manufacturer directly for damages and for an injunction against further infringement, but, instead, chose to harass the manufacturer's customers."



At the time petitioner brought its action it was not a party to any other pending action on the same patents—respondent was clearly avoiding litigation directly with petitioner—and had at least as much right to bring an independent declaratory action against respondent as respondent had to bring independent actions against petitioner's customers; *Penn Electric Switch Co. v. United States Gauge Co.*, 129 F. 2d 166 (C.A. 7, 1942), and R. 29-30. Petitioner would certainly have had the right to proceed with its declaratory action if it had not been made a party to the Chicago action, and the equities are against respondent in its subsequent maneuver of adding petitioner to the Chicago action for the purpose of blocking petitioner's action. As noted in the *Penn Electric Switch* case, *supra*, 129 F. 2d, at pp. 167-8:

“A long delayed suit for alleged infringements of an alleged valid patent, after a somewhat extensive attack on customers,—a sort of a guerrilla warfare,—does not appeal to a court of equity, even though the infringement suit was brought before the declaratory judgment suit was begun.”

Petitioner's action should accordingly proceed, and an injunction should issue against further proceedings by respondent against petitioner in the Chicago action; such was the holding of the District Court (R. 34).

The Court of Appeals held otherwise (Circuit Judges Maris and Kalodner dissenting), and decided in favor of withholding petitioner's right to a declaratory judgment and sweeping all of the parties into the Chicago court (R. 55, 60). This means that a patentee can commence successive customer suits without making the manufacturer of the allegedly infringing articles a

party to any suit, and yet can retain control over the venue and parties to litigation of the patents in suit by amending the manufacturer into a pending customer suit whenever the manufacturer commences an independent declaratory action. The effect is to give unnecessary and undesirable encouragement to campaigns of multiple customer suits. The judgment of the Court of Appeals, which is based on mere considerations of immediate expediency, ignores the equities of the case and the public interest, and should be reversed.

If the Court of Appeals' judgment stands the abuse of customer suits will go unchecked and oppressive multiple litigation will be encouraged.

## II.

The Court of Appeals decision that all patent litigants should be swept into one court regardless of priority and independence of actions is contrary to reason, rule and precedent.

(1) Petitioner's declaratory action is the first-filed action on the controversy in suit, and should proceed: The necessary and long-recognized rule for resolving conflicts of jurisdiction between different courts was stated by Mr. Chief Justice Marshall in *Smith v. M'Iver*, 9 Wheat. 532, 535, as follows:

"In all cases of concurrent jurisdiction, the court which first has possession of the subject must decide it."

When the rule that the first-filed case should proceed is applied to the present case, the record makes it clear that the first-filed action between petitioner and respondent on the patents in suit is petitioner's declara-

tory action in Delaware (R. 18, 32, 33, 56). It was not until after the filing of petitioner's action that respondent amended its pending Chicago action by filing an additional and separate "Amendment of Complaint" and having it served on petitioner (R. 12, 17).

This addition of petitioner as a party to the Chicago action did not relate back in time to the original filing date of the Chicago action against the customer alone; see District Court's findings of fact, par. 9, R. 33, and opinion, R. 30. When the Court of Appeals held that respondent's original Chicago action against the customer alone was the "first action" for purposes of priority of petitioner's declaratory action against petitioner (R. 59), it did not assert that the Chicago action was the first-filed action *between petitioner and respondent*, but instead took the position that there is a common "controversy" as to the same patents in the two suits as originally filed, and that petitioner's declaratory action was the second-filed action as to such "controversy," ignoring entirely the difference in parties in the two actions.

This holding of the Court of Appeals is based on a fundamental error, since in a legal sense a "controversy" necessarily involves parties as well as subject matter; *Smith v. Adams*, 130 U.S. 167, 173-174; *Interstate Commerce Comm. v. Brimson*, 154 U.S. 447, 488; *Muskrat v. United States*, 219 U.S. 346, 361; *Fidelity Nat. Bank v. Swope*, 274 U.S. 123, 134. The constitutional meaning of the term "controversy" for purposes of the Declaratory Judgment Act (28 U.S.C. §§ 2201-2202) is defined in *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240-241, as follows (emphasis supplied):

"The controversy must be definite and concrete, touching the legal relations of parties having adverse legal interests."\*

The identity of parties cannot properly be overlooked in the case at bar, especially since actions on a patent are *in personam* and not *in rem*; *Triplett v. Lowell*, 297 U.S. 638, 645.

Although at least some of the issues of patent validity and infringement raised in the original Chicago action of respondent against a customer are also raised in the subsequent action of petitioner against respondent in Delaware, it does not follow that the Delaware court is thereby precluded from adjudicating these issues; as held in *Buck v. Colbath*, 3 Wall. 334, 345:

"But it is not true that a court, having obtained jurisdiction of a subject-matter of a suit, and of parties before it, thereby excludes all other courts from the right to adjudicate upon other matters having a very close connection with those before the first court, and, in some instances, requiring the decision of the same questions exactly.

"In examining into the exclusive character of the jurisdiction of such cases, we must have regard to the nature of the remedies, the character of the relief sought, and the identity of the parties in the different suits." [Emphasis supplied].

Petitioner's declaratory action was the first-filed action between the parties to it, and as such it should proceed to judgment.

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\* To the same effect see *Maryland Casualty Co. v. Pacific Co.*, 312 U.S. 270, 273.



(2) The availability of a merely alternative remedy in the customer action in Chicago does not justify withholding adjudication of petitioner's declaratory action: Rule 57 of the Rules of Civil Procedure contains the following provision:

"The existence of another adequate remedy does not preclude a *judgment* for declaratory relief in cases where it is appropriate." [Emphasis supplied].

This rule is ignored in the instant decision of the Court of Appeals, which holds that the district court properly accepted jurisdiction of petitioner's declaratory action but erred in granting petitioner's motion for an injunction against respondent proceeding against petitioner in the subsequently amended Chicago action, and in denying respondent's motion for a stay (R. 65). The judgment of the Court of Appeals directs staying the action,\* and prevents petitioner from proceeding to judgment in its declaratory action in Delaware because of the existence of an alternate remedy in the Chicago action, either in the form of possible intervention by petitioner in the Chicago action at the time petitioner filed its independent Delaware action (R. 59), or in the form of possible defense by petitioner in the Chicago action after being made a party thereto subsequent to the filing of petitioner's Delaware action (R. 60). In either case possible participation in the Chicago action

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\* In spite of lack of jurisdiction over the District Court's denial of respondent's motion for a stay; *Dowling Bros. Distilling Co. v. United States*, 153 F. 2d 353 (C.A. 6, 1946); *Triangle Conduit & Cable Co. v. National Electric Products Corporation*, 127 F. 2d 524 (C.A. 6, 1942). A grant of stay is likewise not a subject of appeal; *Cover v. Schwartz*, 112 F. 2d 566 (C.A. 2, 1940).

is no more than an alternate remedy, and hence the Court of Appeals' decision is in direct conflict with the above-quoted provision of Rule 57.

The Notes of Advisory Committee on Rules regarding Rule 57\* contain no suggestion that a declaratory action is any more precluded by the possibility of participating in another pending action than it is by the existence of any other form of alternate remedy. The following unequivocal comments in the Notes on Rule 57 indicate that there is no basis for such distinction:

"When declaratory relief will not be effective in settling the controversy, the court may decline to grant it. But the fact that another remedy would be equally effective affords no ground for declining declaratory relief."

In the present case the controversy between petitioner and respondent can be settled at least as effectively in petitioner's declaratory action as in respondent's later amended infringement action; the District Court so held (R. 34) and the Court of Appeals did not question this conclusion (R. 55-61).

Even before Rule 57 became effective (Rule 86) it was recognized that a declaratory action by an alleged patent infringer against the patentee should not be dismissed because of the availability of another adequate remedy in the form of an infringement action subsequently instituted against the declaratory plaintiff in another court; see *E. W. Bliss Co. v. Cold Metal Process Co.*, 102 F. 2d 105, 109 (C.A. 6, 1939):

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\* 28 U.S.C.A., annotation under Rule 57.

"Aside from adherence to the familiar rule that the court which first acquires jurisdiction of a controversy should be permitted to conclude it, we recognize that it has been the thought of the proponents of declaratory judgment statutes, State and Federal, that the alternative remedy provided should not be foreclosed by the existence of other remedies equally effective, a concept which has now found expression in Rule 57 of the Rules of Civil Procedure for the District Courts of the United States, 28 U.S.C.A. following section 723c, adopted by the Supreme Court pursuant to the act of June 19, 1934, Chapter 651, 27 U.S.C.A. §§ 723b, 723c. This provides: 'The existence of another adequate remedy does not preclude a judgment for declaratory relief in cases where it is appropriate.' While Rule 57 was not in force at the time of the decree below, it derives from experience with declaratory judgment statutes in the States."\*

It has since become generally recognized that an alleged infringer is entitled to proceed to judgment on his declaratory action against a patentee notwithstanding the later filing of an infringement action against him by the patentee:

(a) In the Third Circuit in *Crosley Corporation v. Hazeltine Corporation*, 122 F. 2d 925 (1941), cert. denied 315 U.S. 813; *Triangle Conduit & Cable Co., Inc. v. National Electric Products Corporation*, 125 F. 2d 1008

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\* A quotation to the same effect from *Employers' Liability Assur. Corp. v. Ryan*, 109 F. 2d 690, 691 (C.A. 6, 1940) appears in the brief accompanying the petition for certiorari, p. 21.

(1942), cert. denied 316 U.S. 676; *Crosley Corporation v. Westinghouse Elec. & Mfg. Co.*, 130 F. 2d 474 (1942), cert. denied 317 U.S. 681;\*

(b) In the Sixth Circuit in *E. W. Bliss Co. v. Cold Metal Process Co.*, 102 F. 2d 105 (1939), *supra*; and

(c) In the Seventh Circuit in *Milwaukee Gas Specialty Co. v. Mercoid Corporation*, 104 F. 2d 589 (1939); *Independent Pneumatic T. Co. v. Chicago Pneumatic T. Co.*, 74 F. Supp. 502 (Dist. Ct., N.D. Ill., E.D., 1947), *aff'd*, per curiam 167 F. 2d 1002 (C.A. 7, 1948), cert. denied 335 U.S. 823.

It is further generally recognized, and not disputed here, that an alleged infringer who is entitled to proceed to judgment against a patentee in a declaratory action is entitled to an injunction restraining the patentee from proceeding against the declaratory plaintiff in another court; *Crosley v. Hazeltine*, *Triangle v. National*, *Crosley v. Westinghouse* and *Independent Pneumatic v. Chicago Pneumatic*, *supra*.

The same principles of priority and restraint by injunction have been recognized and applied in the same way in cases of copending suits in federal courts on trade-mark matters; *Cresta Blanca Wine Co., Inc. v. Eastern Wine Corporation*, 143 F. 2d 1012 (C. A. 2,

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\* The Court of Appeals in its instant majority opinion does not question the soundness of its earlier decisions in *Crosley v. Hazeltine*, *Triangle v. National* and *Crosley v. Westinghouse*, *supra*, but argues that they do not lay down a "rule of thumb" (R. 60). The first opinion of the Court of Appeals instructed the District Court to follow the "guiding principles" of these cases (R. 38). The District Court did so (R. 26-30, 57, 61) and is now reversed (R. 65).



1944); *Speed Products Co. v. Tinnerman Products*, 171 F. 2d 727 (C.A. D. C., 1948).

Under Rule 57 declaratory actions are of at least equal dignity with conventional actions for purposes of determining which of two pending actions between the same parties should proceed. The fact that petitioner's action is declaratory in form affords no justification, therefore, for staying petitioner's action against respondent and for allowing respondent's later amended action against petitioner on the same subject to proceed. The express terms of Rule 57 of the Rules of Civil Procedure forbid this result.

(3) The mere fact that there is an additional party in the amended customer action does not justify blocking petitioner's direct action: The instant decision of the Court of Appeals rests on an alternative proposition that irrespective of priority of suit the controversy between petitioner and respondent should be tried in Chicago instead of in Delaware because the Chicago court provides a single forum for litigation of all the controversies between respondent, petitioner and the Chicago customer. While in the short run this policy of sweeping all the parties into one court regardless of other considerations may seem convenient, in the long run it results in greater inconvenience as a result of multiple customer suits, for the reasons pointed out in section I of this brief. Moreover, it leads to a result directly contrary to the normal rules of priority of actions and to Rule 57 of the Rules of Civil Procedure as pointed out in sections II (1) and (2) hereof, pp. 16-23.

This alternative proposition of the Court of Appeals in the present case is contrary to the decision in *Memphis*

*City v. Dean*, 8 Wall. 64. In that case a gas company had brought suit against another gas company regarding their respective rights to operate in a city, and a stockholder of the first company thereafter began a second suit on behalf of the first company against the second company and also against the city itself, for breach of contract. The second suit was dismissed notwithstanding the stockholder's objections that his suit should proceed in preference to the first suit in view of the additional presence of the city in his suit. An opposite conclusion would result from the reasoning of the majority opinion of the Court of Appeals in the instant case, that regardless of which suit is previously or subsequently begun between the parties (R. 60), the suit which ultimately involves the most parties should proceed.

The closest precedent on its facts in the patent field is the case of *Triangle Conduit & Cable Co., Inc. v. National Electric Products Corporation*, 125 F. 2d 1008 (1942) where the Court of Appeals for the Third Circuit reached an opposite conclusion from that which it reached in the present case on the basis of facts essentially identical except that the copending infringement action was brought against the customer *after* the filing of the manufacturer's declaratory action instead of *before* as in the present instance. There, as here, the manufacturer's declaratory action was the first filed action as to the controversy between the manufacturer and petitioner, and there, as here, the patentee attempted to shift the litigation to another court with an additional party by the stratagem of making the manufacturer a party to another action. The same holding in that case, that the declaratory action should proceed and that the patentee

should be enjoined against proceeding against the manufacturer in the infringement action subsequently instituted against the manufacturer, should apply here. The first decision of the Court of Appeals herein pointed to the guiding principles of the *Triangle* case (R. 38); the District Court followed this precedent in reaching its decision (R. 28); and the dissenting opinion of Circuit Judges Maris and Kalodner points out that the factual difference between the *Triangle* case and the present case is without legal significance (R. 62).

The majority opinion of the Court of Appeals attempts to distinguish the present situation from the *Triangle* case by relating all matters of priority to the original customer suit which did not include petitioner as a party, which is unsound for the reasons pointed out in section II (1) of this brief (pp. 16-18) and goes on to hold that respondent's infringement action should proceed as against both customer and petitioner in order to avoid two trials. On the latter basis the present decision of the Court of Appeals is directly contrary to its earlier decision in the *Triangle* case, where it was expressly held that the patentee might sever the action against the customer and proceed with it while the manufacturer's declaratory action proceeded against the patentee; see *Triangle v. National*, 125 F. 2d, at p. 1009.

Analogous factual situations and legal problems are sometimes presented in copending trade-mark actions in different federal courts, and the instant decision of the Court of Appeals is in conflict with the decisions in *Cresta Blanca Wine Co., Inc. v. Eastern Wine Corporation*, 143 F. 2d 1012 (C.A. 2, 1944), and *Speed Products Co. v. Tinnerman Products*, 171 F. 2d 727 (C.A. D.C.,

1948), as explained in detail in the dissenting opinion (R. 62-64); cf. the District Court opinion (R. 30-31). The majority opinion cites these cases with no further comment than "cf." (R. 60).

The majority opinion of the Court of Appeals relies for precedent on *Hammett v. Warner Bros. Pictures, Inc.*, 176 F. 2d 145 (C.A. 2, 1949), but does not specify how the case applies (R. 60). The dissenting opinion, however, discusses distinguishing features of the *Hammett* case, and in particular points to the key fact that the declaratory action in that case, although the first filed as to the parties to it, "would settle only a part of the controversy between the parties to it" (R. 64; *Hammett v. Warner Bros.*, 176 F. 2d, at p. 149). The *Hammett* case related to a complex situation involving both copyright infringement and unfair competition, and the opinion points out that the situation is "\* \* \*" in contrast to the situation in the more usual patent and insurance cases where the issues of infringement and validity of a patent or license and of liability and coverage are usually clearly separable" (p. 150). The majority opinion of the Court of Appeals now points to the *Hammett* case as "perhaps" the closest on the facts (R. 60), but the first opinion of the Court of Appeals on this case does not even mention the *Hammett* case as a guiding precedent (R. 36-38), although respondent had argued the case at the hearing.



## III.

Petitioner's action is in a forum convenient to the parties thereto, and there is accordingly no basis for transfer under the doctrine of forum non conveniens.

The forum of petitioner's action is in Delaware, which is the state of respondent's incorporation and is near both respondent's Newark offices (R. 4) and the New York offices of its counsel. The convenience of witnesses is, if anything, likely to be better served by the forum in Delaware than in the alternative forum of Chicago—certainly nothing to the contrary appears. Respondent has indicated by its acts that it has no genuine objection to multiple litigation; cf. the independent suits against the Detroit and Chicago customers (R. 4-5); and consequently respondent is in no position to urge consolidation of all litigation on its patents. Petitioner, on the other hand, would be inconvenienced and might become prejudiced by complications arising out of a joint defense with the Chicago customer. Moreover, the District Court has found that "There is nothing to indicate that with the full cooperation of [respondent], who allegedly is seeking an early trial, the trial in this jurisdiction may not be had expeditiously and some slight delay would seem too slim a basis for departure from recognized principles" (R. 31).

Respondent has tacitly conceded that it is not entitled to a transfer on the basis of *forum non conveniens* by its failure to invoke the transfer provisions of 28 U.S.C. § 1404(a), which now embodies this doctrine and reads as follows:

"For the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought."

This Court has cautioned that "unless the balance is strongly in favor of the defendant, the plaintiff's choice of forum should rarely be disturbed"; *Gulf Oil Corp. v. Gilbert*, 330 U.S. 501, 508. The balance of convenience in this case has been considered by the District Court, which found that petitioner's choice of forum should not be disturbed. Although the Court of Appeals reversed the District Court, it did not find any abuse by the District Court of its discretion to weigh the balance in the first instance (R. 55-61; cf. dissenting opinion, R. 61), nor did it find that on the record the balance is *strongly* in favor of disturbing petitioner's choice of forum.

The majority opinion of the Court of Appeals (R. 55) confuses jurisdictional considerations as to first-filed cases and declaratory actions with change of venue considerations, and arrives at a decision which amounts in practical effect to a transfer of petitioner's action from Delaware to Chicago, but without any consideration of 28 U.S.C. § 1404(a), which is the statute enacted by Congress to control transfers of actions for reasons of convenience. When the doctrine of *forum non conveniens*, which is what the majority opinion of the Court of Appeals seems to have in mind, is applied to the present case it becomes clear that the decision of the Court of Appeals is in error, since the controlling statute is not invoked and there is not such a strong balance in favor of transferring petitioner's Delaware action as is required to justify transfer under this doctrine and the

controlling statute which now embodies it. Moreover, the decision of the Court of Appeals encourages unnecessary multiple litigation, as pointed out in section I hereof (pp. 10-16), and hence is not "in the interest of justice," as additionally required by the controlling statute.

**CONCLUSION.**

For the reasons stated it is respectfully submitted that the judgment of the District Court should stand, and the judgment of the Court of Appeals should be reversed.

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**APPENDIX.**

The following acts and rule have been in effect as quoted below from the time the action at bar was filed to date:

(1) The Declaratory Judgment Act, 62 Stat. 964, amended 63 Stat. 105, 28 U.S.C. §§ 2201-2202:

*"§ 2201. Creation of remedy*

In a case of actual controversy within its jurisdiction, except with respect to Federal taxes, any court of the United States, upon the filing of an appropriate pleading may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such."

*"§ 2202. Further relief*

Further necessary or proper relief based on a declaratory judgment or decree may be granted, after reasonable notice and hearing, against any adverse party whose rights have been determined by such judgment."

(2) Rule 57, Rules of Civil Procedure:

"The procedure for obtaining a declaratory judgment pursuant to Title 28, U.S.C., § 2201, shall be in accordance with these rules, and the right to trial by jury may be demanded under the circumstances and in the manner provided in Rules 38 and 39. The existence of another adequate remedy does not preclude a judgment for declaratory relief in



cases where it is appropriate. The court may order a speedy hearing of an action for a declaratory judgment and may advance it on the calendar."

(3) 62 Stat. 937, 28 U.S.C. § 1404(a):

"(a) For the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought."

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